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SPECIAL COMMITTEE ON THE SITUATION WITH REGARD TO THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

UNITED STATES VIRGIN ISLANDS

Working paper prepared by the Secretariat

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UNITED STATES VIRGIN ISLANDS 1/

INTRODUCTION

1. Basic information on political, economic and social conditions in the United States Virgin Islands is contained in the general working paper prepared for the current session of the Special Committee (A/AC.109/1150). Additional information on foreign economic interests operating in the Territory is set out below.

I. ROLE OF FOREIGN CAPITAL

2. The Territory's relations with, and proximity to, the United States of America, together with its tropical climate, have continued to be an attraction to businesses in the United States aned elsewhere. In an attempt to broaden its economic base and reduce its dependence on tourism, the territorial Government has embarked on an extensive economic development programme aimed at the establishment of a sound economic and social infrastructure and the stimulation of industrial growth. The Governments of both the United States and the Territory have introduced a range of new tax incentives to United States and foreign private investors which should increase benefits locally.

3. The main areas of foreign investment, primarily from the United States, continued to be tourism and property development, manufacturing and international business. Telecommunications and airline services are owned exclusively by foreign interests.

4. During the period under review the territorial Government continued its efforts to diversify the economy. In his State of the Territory address in January 1993, the Governor outlined several policy objectives which he expected would revitalize the economy. He drew attention to the fiscal crisis which the Territory continued to face and estimated that the deficit would increase to approximately US$ 57 million. He stressed that all efforts must be directed at further diversification of the Territory's economy, noting that while recent studies had reconfirmed the dominance of the tourism sector in the economy, it had been proven that the manufacturing sector produced the greater multiplier within the economy. In that connection, the Government would not only promote tourism, but would also offer tax and other incentives to attract non-polluting assembly and light manufacturing enterprises to the Territory.

II. MAJOR DEVELOPMENT ACTIVITIES

A. Tourism and property development

5. Tourism and related services continued to be the main activity, accounting for approximately 65 per cent of gross domestic product. The total number of visitors increased by only 0.7 per cent to 1.96 million in 1992, as compared with an increase of 8 per cent in 1991. Occupancy rates declined further from 58.4 per cent in 1991 to 54.7 per cent in 1992. 2/ Over the same period, however, total tourist expenditure rose by 5.5 per cent to US$ 791 million. 3/

6. It will be recalled that, following low occupancy rates and financial difficulties, the largest hotel on St. Croix, the 158-room Carambola Beach Resort, ceased operations in June 1991, resulting in the loss of nearly 200 jobs (A/AC.109/1123, para. 6).

7. It was reported in March 1993, that the creditors of Carambola Beach Resort, a consortium of insurance companies, had officially foreclosed on the property, clearing the way for its sale. The Sargasso Corporation owned by Mr. William Young, a United States businessman, has reportedly applied to the Territory's Industrial Development Corporation to purchase the hotel, which was estimated to be worth approximately US$ 29 million. Mr. Young proposed to make the hotel an affiliate of the Radisson chain of hotels. The Radisson Group currently operates eight resorts in the Caribbean and its parent company, Carlson Travel, owns approximately 2,600 affiliated travel agencies world wide. 4/

8. During the reporting period, the charter-boat industry continued to suffer from the effects of hurricane Hugo which struck the Territory in September 1989. This sub-sector generated $82.7 million in the 1988/89 season and employed more than 2,600 persons. Recent figures show, however, that by September 1992 the industry was generating approximately US$ 22 million annually and employing fewer than 1,000 persons. The chairperson of the Senate Labour and Veterans Affairs Committee stated that the territorial Government should increase its incentives to the industry by, inter alia, elimination of the 3 per cent excise tax on the importation of charter-boats. In return for those incentives, the industry should make a full commitment to hire indigenous Virgin Islanders, who for the most part have been excluded from the marine industry. 5/

Property development

9. As previously reported, protracted discussions had been held between the territorial Government, the local community and special interest groups on the one hand, and the United States Government and its agencies on the other, concerning the transfer of Water Island, the fourth largest island in the Territory, to the territorial Government by the end of December 1992. At the same time, discussions were also under way between representative groups of the above parties and the West Indian Company, Ltd. (WICO), a subsidiary of the East Asiatic Company of Denmark, regarding the ownership and control of submerged and developed land in and around the Charlotte Amalie harbour. Details concerning the transfer of Water Island are contained in a previous working paper prepared by the Secretariat (A/AC.109/1123, para. 10). Developments concerning the purchase of the WICO property by the territorial Government are outlined below.

10. In his State of the Territory message in January 1993, the Governor recalled that 75 years previously when the Territory was purchased from Denmark, the Treaty signed gave controlling rights of the Charlotte Amalie Harbour to the East Asiatic Company. Over the years, however, that provision had been a source of great concern. Repeated attempts by the territorial Government to exercise some degree of regulation and regain control over that strategic port of entry had been thwarted by the Treaty stipulations and by United States courts.

11. According to the Governor, one indication of political maturity was the ability of any people to control development along their shorelines. He had

felt frustration, given the impotence of the Government's position to force the relinquishment of this vestige of colonialism. The appeals of the territorial Government for assistance from the United States State Department had gone unanswered. Ironically, on the occasion of the diamond jubilee an offer had been made for the territorial Government to purchase the stock of that company, thereby obtaining controlling rights by the people in what could be an offer of a lifetime.

12. He declared that it would be a dereliction of his responsibilities as Governor if he did not explore to the fullest extent possible securement of that property for future generations. In that regard, he had created a committee of government officials and private sector experts to analyse and advise him on the proposed purchase. Their mandate was to determine the acquisition structure, secure the financing, and create or adopt an operational and management team comparable to the one already in place.

13. The Governor called upon all Virgin Islanders to recognize that significant development, and stressed that there was no need for partisan or insular bickering disagreements. Rather, it would be in the best long-term interest of the Territory to secure the WICO properties for future generations. He urged the people of the Territory to work with him in achieving that objective.

14. Information provided by the territorial Government indicated that in March 1993 the Governor had submitted to the Territory's twentieth legislature a draft amendment to the WICO Purchase Bill. That amendment would assist with important economic recovery for the island of St. Croix. In a similar announcement, it was reported that the Governor, in a letter to the President of the Senate, had proposed that the official signing of the WICO Purchase Bill should take place on 31 March 1993, on the seventy-sixth anniversary of the transfer of the Territory from the Government of Denmark to the Government of the United States. 6/

15. According to press reports in April 1993, the territorial Government was ready to purchase the WICO property, which includes the St. Thomas cruise ship dock and shopping mall, as well as the submerged land, for a price of US$ 54 million. The reports stated that representatives of the territorial Government and the WICO Company would hold a "closing" on 5 April 1993, at which time the territorial Government would make a deposit of US$ 4.8 million or guarantee a tax credit of the same amount. The cash portion of US$ 48 million would include another US$ 6 million in tax credits. 7/ On 11 May 1993, the representative of the Territory informed the Subcommittee on Small Territories, Petitions, Information and Assistance, that, inter alia, the financing mechanisms for purchasing the WICO property were still being considered.

16. In other developments on property and real estate, the number of homes sold declined by 44.8 per cent from 455 in 1991 to 251 in 1992. The average price of home sales increased by 20 per cent from US$ 175,734 to US$ 210,732. The number of condominium sales also decreased from 276 to 197 (or by 28.6 per cent). St. Croix recorded the highest decline in all categories, namely, the number of homes sold (a 57.4 per cent decline); the average sale price of homes (a decline of 10.4 per cent); a 53 per cent decline in the number of condominiums sold; and a 15 per cent decline in the price of condominiums. 2/

B. Other sectors

17. Information on the main sectors in which foreign economic and other interests operate in the Territory (industrial development, international business and communications and basic facilities) has been outlined in the general working paper prepared for the session (A/AC.109/1150). No further developments have been reported.

Notes

1/ The information contained in this paper has been derived from published reports and from information transmitted to the Secretary-General by the Government of the United States of America under Article 73 e of the Charter of the United Nations for the period 1992 to 1993.

2/ United States Virgin Islands, Bureau of Economic Research, Department of Economic Development and Agriculture.

3/ The currency of the Territory is the United States dollar (US$).

4/ The Daily News (United States Virgin Islands), 20 March 1993.

5/ Ibid., 7 September 1992.

6/ Office of Public Relations, Official News Release, Nos. 255 and 261, 25 and 26 March 1993.

7/ The Daily News (United States Virgin Islands), 27 March 1993.

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OF INDEPENDENCE TO COLONIAL
COUNTRIES AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

MONTSERRAT

Working paper prepared by the Secretariat

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INTRODUCTION

1. Basic information on conditions in Montserrat is contained in the general working paper prepared for the current session of the Special Committee (A/AC.109/1137). Supplementary information concerning the activities of foreign economic and other interests in the Territory is presented below. 1/

I. ROLE OF FOREIGN CAPITAL IN THE TERRITORY

2. Foreign investment, mainly from Canada, the United Kingdom of Great Britain and Northern Ireland and the United States of America, continues to play a paramount role in the economy of the Territory. Foreign investment is concentrated in such major areas of the economy of Montserrat as tourism, real estate and property development, manufacturing, international business and telecommunications.

3. During the period under review, the policy of the territorial Government continued to be broadening of the economic base of the Territory and promoting private sector investment, including foreign investments (for details, see A/AC.109/1118, paras. 3-6).

4. In its review of policy and management of the Caribbean Dependent Territories, including Montserrat, published in August 1992, the Government of the United Kingdom as administering Power, noted, inter alia, that there was a need to continue helping the Caribbean Dependent Territories to develop economically; sound private investment was essential if the Caribbean Dependent Territories were to stand more securely on their own, as the Cayman Islands (and Bermuda) did already; where needed, aid and technical cooperation programmes would be maintained; the progressive strengthening of good government of the Territories was indispensable to economic development and continued economic assistance; the Territories sit astride major drug routes from Latin America; with few natural resources, the future economic development of the Territories depended heavily on offshore finance and tourism, but that both activities offered opportunities for drug traffickers, money-launderers and other white collar crime which could threaten the fabric of society and erode the achievements that had been made in promoting economic growth, and that violent crime was increasing throughout the region. The administering Power also noted that past scandals in the public administration of some of the Territories had adversely affected their reputation and their ability to attract investment and tourism.

5. The Foreign and Commonwealth Secretary endorsed the above conclusions, following which Mr. Lennox-Boyd, Minister responsible for the Caribbean Dependent Territories, visited the region in July 1992 to outline them to Governors and elected Ministers.

6. The review also noted that within its overall concern to promote good government, the administering Power had decided that priority must be given to bringing the regulation of offshore financial services into line with internationally accepted norms. As a result of the review, the United Kingdom established the Ministerial Group on the Caribbean Dependent Territories, based

in London, to coordinate the administering Power's commitment to those Territories in areas ranging from defence to aid. The Ministerial Group will be serviced by a secretariat based in Barbados (for details, see A/AC.109/1137, para. 17).

II. TOURISM AND REAL ESTATE DEVELOPMENT

7. Tourism and real estate development continued to be the sectors particularly attractive to foreign investors. The major hotels, condominiums and villas are largely owned and managed by expatriates. The reconstruction and renovation of commercial and residential buildings damaged by hurricane Hugo, as well as the construction of villa complexes, are nearly completed.

8. The policy of the Government regarding tourism is to embark on an eco-tourism strategy aimed at developing the natural attractions of the Territory in a manner consistent with environmental considerations. There are no plans for the establishment of the traditional range of attractions and entertainment facilities related to mass tourism. Promotional activities are to be geared instead to visitors who appreciate nature activities and could be expected to contribute to the Territory's preservation efforts. Montserrat has under consideration plans for the establishment and upgrading of several tourist attractions, such as its sulphur springs, hot water pool, nature trails and bird sanctuary.

9. According to the Eastern Caribbean Central Bank (ECCB), preliminary data on tourism for the second quarter of 1992 (the latest period for which data are available) show that 4,401 tourists visited the Territory, of whom 3,695 were stay-over visitors. Total arrivals for the quarter were 26 per cent below the level of the previous quarter. Stay-over visitors and excursionists declined by 23.2 per cent and 38.1 per cent, respectively. While the United States continued to be the dominant market, its share of the market declined from 34 per cent to 29 per cent over the second quarter. Canada increased its share from 6 per cent to 12 per cent while the share of visitors from the United Kingdom remained unchanged at 12 per cent.

10. ECCB noted that contraction of the construction sector, which had recorded rapid expansion towards the end of 1989 and in 1990 following the hurricane, was largely responsible for continued sluggishness of the economy. 2/

11. It was reported in March 1993 that the territorial Government had introduced new tax measures, including a 10.5 per cent levy on the purchase of real estate by overseas buyers. Formerly, an expatriate paid a 6 per cent purchase tax on real estate, which the Chief Minister claimed was the lowest rate among member States of the Organization of Eastern Caribbean States. 3/

III. MANUFACTURING

12. The manufacturing sector comprises a number of small-scale enterprises, centred on the assembly of electronic components and the production of garments, textiles and leather and plastic goods. Agro-processing facilities have also

increased their contribution to the sector. According to CDB, there were no major developments concerning foreign economic interests in this sector.

IV. INTERNATIONAL BUSINESS

13. Details concerning a review and reorganization of the Territory's international financial services sector are contained in previous working papers on the Territory. It was reported in 1992 (A/AC.109/1101, paras. 54-57), that the Chief Minister had announced the completion of the reorganization process and had stated that the Territory was ready to resume full activities in this area. The Territory is reported to be left with three commercial banks and 21 offshore banks (see also A/AC.109/1137, paras. 57-59). Recent developments are outlined below.

14. In March 1993, the Chief Minister announced that legislation had been passed to transfer the administration and registration of international business and insurance companies to the Financial Services Centre, which would be responsible for the supervision and regulation of the sector in accordance with the respective ordinances. 4/

15. Also in March 1993, the Chief Minister met with officials of the three commercial banks to discuss the relevant provisions of the budget and to ensure that customers are not significantly affected. The meeting with the bankers was part of the territorial Government's initiatives to cooperate with the private sector. The Chief Minister also met with representatives of insurance companies operating in the Territory. 5/

V. TELECOMMUNICATIONS

16. The London-based Cable and Wireless, Ltd. continued to provide Montserrat with local and international telephone and telecommunication services.

17. It was reported in a local newspaper that Cable and Wireless, Ltd. was among a group of companies that were monopolies. The newspaper considered that the rates charged by Cable and Wireless as a result of its status were too high and called upon the company to absorb a proposed tax increase of 5 per cent on long-distance telephone calls, or offer more off-peak periods to more countries. 6/

Notes

1/ The information contained in the present paper has been derived from published reports and from information transmitted to the Secretary-General by the Government of the United Kingdom of Great Britain and Northern Ireland under Article 73 e of the Charter of the United Nations on 26 March 1993.

2/ Eastern Caribbean Central Bank, Economic and Financial Review, vol. 10, No. 2, June 1992.

3/ The Montserrat Reporter (Plymouth), 26 March 1993.

Notes (continued)

4/ The Trinidad Guardian (Port-of-Spain), 22 March 1993.

5/ The Montserrat Reporter (Plymouth), 22 March 1993.

6/ Ibid., 8 April 1993.

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SPECIAL COMMITTEE ON THE SITUATION WITH
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INDEPENDENCE TO COLONIAL COUNTRIES
AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

CAYMAN ISLANDS

Working paper prepared by the Secretariat

1. Basic information on economic conditions in the Cayman Islands with particular reference to foreign economic interests is contained in the working paper prepared by the Secretariat in 1993 (A/AC.109/1138). Supplementary information on the activities of foreign economic interests in the Territory is set out below. 1/

2. During the period under review, foreign investments continued to represent an important share in the main economic sectors of the Territory, namely, finance, insurance, tourism, real estate and construction. They are generally encouraged by the territorial Government as an important source of economic growth as they provide substantial amounts of capital and foreign exchange. The Territory's economy has demonstrated stable and unprecedented growth during the last decade. The standard of living in the Territory in 1992 was the highest in the Caribbean and one of the highest in the world. In 1992, the gross national product of the Cayman Islands was CI$ 558 million. 2/ As reported previously, the Cayman Islands is the fifth world financial centre, following the United Kingdom of Great Britain and Northern Ireland, Japan, the United States of America and France.

3. The territorial Government, during the period considered, continued to promote the Cayman Islands as one of the world's largest financial centres.

Further steps have been taken to attract such foreign investments as could be beneficial to the Territory.

4. As a result, the number of companies registered in the Territory rose to 23,700 in 1991 from 22,260 in 1990. Reflecting the importance of the offshore financial activity, the greater part of the increase (64 per cent) took place in the "Exempt" category (companies incorporated in the Cayman Islands but carrying on business with non-residents), with domestic companies doing business locally making up the bulk (34 per cent) of the remainder. The number of registered banks and trust companies fell to 544 as a result of the decrease from 34 to 32 in the number of institutions licensed to do business with residents. On the other hand, the number of licensed offshore insurance companies rose to 365 from 359 at the end of 1990. 3/ Total assets of licensed banks at the end of 1991 amounted to more than US$ 450 billion. 4/

5. The financial industry's net contribution to the total output of the economy of the Cayman Islands increased by 6 per cent from CI$ 54 million in 1990 to CI$ 57 million in 1991. During the same period, the total output of the economy in real terms was CI$ 446 million and CI$ 453 million, respectively. The direct contribution of the financial industry to public revenue increased by 14.3 per cent from CI$ 17.5 million in 1990 to CI$ 20 million in 1991. During that time period, growth in employment by the industry rose from 2.4 per cent to 3.8 per cent. 3/

6. In 1992, the insurance industry employed over 200 persons and contributed almost CI$ 2 million directly to government revenue. In 1991, the industry wrote more than CI$ 1.3 billion in premiums and had net assets of more than CI$ 4 billion, a significant portion of which was deposited with the islands' banks. 3/

7. As reported in a previous working paper (A/AC.109/1117, para. 5), the supervision of foreign investment in the Territory is carried out by the Banking Supervision Department and governed by banking and trust laws. The Department monitors operations of foreign investors and ensures adherence to the territorial guidelines and requirements. Those accord in full with the standards of the Basel Concordat, an international body comprising supervisory authorities around the world.

8. Over the past year, the Government continued to take steps aimed at protecting the economic structure of the Territory from illicit activities of foreign economic interests, such as drug trafficking, money laundering, smuggling of funds, tax evasion and other forms of economic fraud. As previously reported (A/AC.109/1117, para. 7), in 1989, the territorial Government, along with the Governments of the United Kingdom and the United States, signed a Mutual Legal Assistance Treaty, which provides for the exchange of information on a range of crimes. The Cayman Islands is a member of a Caribbean Customs Agreement entitled "The Memorandum of Understanding regarding Mutual Assistance and Cooperation for the Prevention and Repression of Customs Offenses in the Caribbean Zone" aimed at preventing problems arising from smuggling of funds, money laundering and false invoicing, as well as detecting various kinds of white-collar fraud and drug trafficking.

9. According to press reports in October 1992, the United States Drug Enforcement Agency arrested two key figures of an international cocaine cartel, who had once planned to buy a private bank in the Cayman Islands as a means of laundering millions of dollars in drug profits. Although no Caymanians were involved, over 200 other persons were apprehended world wide. 5/

10. According to a local publication, a US$ 16 million radar station was officially opened in January 1993 as part of the Caribbean Basin Radar Network (CBRN). CBRN is an effort by the United States, in cooperation with Caribbean, Central and South American countries, to improve radically aerial drug surveillance and related law enforcement coordination. CBRN would also be used for civil air traffic control, as well as search and rescue operations in the region. 6/

11. In March 1992, the Commercial Crime Branch of the Royal Cayman Islands Police (RCIP) issued a bulletin warning that quantities of counterfeit United States dollar bank notes in various denominations were believed to be in circulation in the Territory. Serial numbers of the counterfeit notes were published in the bulletin. 7/

12. The seizure of the Bank of Credit and Commerce International (BCCI) by banking regulators in July 1991 and its subsequent liquidation, following allegations of massive fraud on a global scale, have had serious repercussions in the Cayman Islands since the three main operating affiliates of the bank were based in the Territory (see A/AC.109/1117, para. 8).

13. It was estimated that US$ 35 million were on deposit locally from Cayman residents and companies when the bank was seized. 8/ In July 1992, following seven months of negotiations, a settlement plan was proposed to creditors, which would enable them to collect a reimbursement of between US$ 0.30 and US$ 0.40 cents on every dollar. Although a Caymanian court had already approved the compensation scheme, 9/ local depositors had to wait for implementation of the settlement proposal, since a court in Luxembourg, where BCCI was registered, ruled that all 250,000 creditors of the bank in 40 countries world wide had to be consulted and that a majority had to accept the proposal before it could be implemented. 10/ In October 1992, following the consultation of creditors, the Luxembourg court approved the liquidation settlement. 11/ In January 1993, however before the settlement could be effected, the court postponed its decision *sine die*, as three creditors filed an appeal in Luxembourg demanding higher financial compensation. The appellants believed that the trials in the United States of alleged key figures in the BCCI operation would strengthen their case. 12/

14. It was reported previously that a number of companies were involved in stamp duty evasion operations. The companies had effected land transfers "for natural love and affection", thereby legally avoiding the 7.5 per cent mandatory stamp duty. This legal loophole led to a significant decrease in that source of government revenue. Of the 1,709 real estate transactions which took place in 1991, 342 were such land transfers. 13/

15. In October 1992, the Cayman Islands Chamber of Commerce announced the formation of a Better Business Council to assist consumers, both locally and abroad, who have business dealings with Chamber members. 14/

Notes

1/ The information contained in the present paper has been derived from published reports and from the information for 1990 and 1991 transmitted to the Secretary-General on 24 July and 30 December 1991 by the Government of the United Kingdom of Great Britain and Northern Ireland under Article 73 e of the Charter of the United Nations.

2/ The local monetary unit is the Cayman Islands dollar (CI$). Under the Articles of Agreement of the International Monetary Fund, the value of the Cayman Islands dollar in relation to the United States dollar is fixed at CI$ 1.00 = US$ 1.20.

3/ The Caymanian Compass, 26 September 1991.

4/ Caribbean Update (United States of America), August 1992.

5/ The Caymanian Compass, 2 October 1992.

6/ Ibid., 25 January 1993.

7/ Ibid., 5 March 1993.

8/ Ibid., 28 October 1992.

9/ Ibid., 13 August 1992.

10/ Ibid., 21 July 1992.

11/ Ibid., 23 October 1992.

12/ The Guardian (London), 8 January 1993.

13/ The Caymanian Compass, 27 January 1992.

14/ Ibid., 27 October 1992.

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ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

ANGUILLA

Working paper prepared by the Secretariat

1. Basic information on conditions in Anguilla is contained in the general working paper prepared for the current session of the Special Committee (A/AC.109/1141). Supplementary information concerning the activities of foreign economic and other interests in the Territory is presented below. 1/

2. Foreign capital from Canada, the United Kingdom of Great Britain and Northern Ireland and the United States of America continues to play a dominant role in the economic life of Anguilla. The main areas of concentration of foreign investment are tourism, real estate and property development, international business and telecommunications. Tourism remains the main economic activity in the Territory, although the Government is continuing a policy of diversification.

3. As in the past, the tourist industry continues to be predominantly controlled by foreigners. Efforts have been made by the Government, major donors and small hoteliers, however, to rectify the structural imbalance of the industry whereby foreign economic interests owned and operated the larger, more successful hotels and nationals operated only the smaller, less efficient units (see A/AC.109/976, para. 3). During the electoral campaign preceding the general elections of February 1989, the Chief Minister, Mr. Emile Gumbs, quoting the manifesto of his ruling Anguilla National Alliance party, stated that "no further licences will be granted for exclusively owned foreign investment in the

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hotel sector in the near future", and "every encouragement will be given to local and joint-venture investment in the hotel sector".

4. It was reported previously (A/AC.109/1119, para. 5) that in January 1991, the Government had announced that it was tightening regulations on land held by foreigners under the Alien Land Holding Licences Ordinance. Aliens who had been granted a licence but did not complete their projects within the prescribed time would be required to pay financial penalties immediately, in order to avoid forfeiture proceedings.

5. During the period under review, the Government continued to promote the Territory as a haven for regional and international currency deposits. Its chief attractions were convertibility of a wide range of foreign currencies and no taxes on income and capital gains.

6. In its 1991 report on Anguilla, the Caribbean Development Bank (CDB) stated that commercial bank deposits increased by 15.5 per cent to EC$ 194.2 million. 2/ Loans and advances grew by 19.6 per cent to reach EC$ 165.7 million at the end of 1991; loans to the private sector increased by 19 per cent; and net credit to the public sector in 1991 expanded by 60 per cent to EC$ 2.4 million as the Government sought to finance its capital expenditure programme. The share of loans extended to the distributive trades increased from 16.1 per cent in 1990 to 16.9 per cent in 1991, while those issued to the construction and land development sectors decreased from 8.7 per cent in 1990 to 8 per cent in 1991 as construction activity slowed. In the meantime, the share of loans to the tourism sector grew only slightly, from 29.1 per cent in 1990 to 29.6 per cent in 1991, as tourism growth slowed. 3/

7. During the period under review, foreign currency deposits represented the major area of growth. However, tightening liquidity conditions led to an increase in the prime lending rate of some banks, from 12 per cent to 12.5 per cent by mid-1991. 4/

8. The United Nations Development Programme (UNDP) reported in 1991 that over three quarters of the Anguillan Government's Public Sector Investment Programme (PSIP), which has been estimated by CDB at EC$ 82.5 million for the period from 1992 to 1994, was expected to be financed by external donors through grants and concessionary loans.

9. Also according to UNDP, the PSIP foresees a distribution of 60 per cent of its financing for the development of economic infrastructure, 29 per cent for general public services, 6 per cent for social services and 5 per cent for economic services. The Programme focuses on road and water development projects, as well as on the construction of a new post office, a prison and a national library. 5/

10. Following a review of the Territory's financial-sector order by the Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom, Anguilla's international financial services were placed under the authority of the Governor in May 1990. With the assistance of the United Kingdom, the Territory reviewed 43 bank licences and cancelled 30 (see A/AC.109/1058, paras. 56-60).

11. As reported previously (A/AC.109/1119, para. 9), in December 1991, the House of Assembly approved the Offshore Banking and Trust Companies Ordinance, giving the Governor complete and final authority over the granting of licences to offshore companies. Under the new legislation, licencees are obliged to appoint resident agents approved by the Governor.

12. According to the report, any proposed issue or transfer of shares would have to be approved by the Governor. In addition, the ordinance established the principle of corporate criminal liability for contraventions of the regulations. The opposition party in the House of Assembly had reportedly complained, however, that the powers thus given to the Governor placed him outside the jurisdiction of the courts.

13. In July 1991, the Governor ordered two foreign bankers to surrender their licences and leave the Territory, stating that their presence was not conducive to the public good. Prior to that, press reports in the United Kingdom had linked one of the bankers to fraudulent banking activities years earlier.

14. It was also reported that in October 1991, the Minister for Finance had said that, during a visit to Canada to discuss financial and offshore banking, members of the territorial Government had been approached by a lawyer who had suggested that Anguilla could welcome between 50 and 100 wealthy Hong Kong residents. Each of those potential immigrants would have over EC$ 5 million in assets and would be prepared to spend at least EC$ 500,000 in the areas of tourism and manufacturing. The Minister had responded by stating, however, that the Government would never bring Hong Kong residents to settle in Anguilla because the people of the Territory were against it (A/AC.109/1119, para. 12).

15. In September 1991, the Governor stated that the appointment of expatriate professionals was necessary to keep Anguilla's Administration operating and to train future replacements (A/AC.109/1119, para. 13). He further said in his Throne Speech that the continuing need in the foreseeable future to recruit such expatriate staff to fill key posts in Anguilla represented no threat to the aspirations of Anguillans. He called upon qualified Anguillans living abroad to repatriate their talents.

16. Cable and Wireless (West Indies), Ltd. continued to be the sole owner and operator of telephone and telecommunication services in the Territory. In October 1988, the company signed an agreement with the Government for continuance of both internal and external telecommunications services for an additional 30 years.

17. Fishing, the second most important economic activity, has continued to be threatened because of poaching by foreign vessels using sophisticated fishing techniques. In March 1988, the Fisheries Development Officer of the Organization of Eastern Caribbean States secretariat pointed out that more than 20 foreign fishing vessels were operating in the eastern Caribbean, most of them illegally, taking nearly 5,500 kilograms of swordfish from the area every week.

18. In May 1990, Anguillan officials met in the Territory with their counterparts of St. Maarten/Saint Martin. The talks focused, inter alia, on the question of fishing in Anguillan waters by foreign boats based in St. Maarten/Saint Martin. Prior to the meeting, in April 1990, a fishing vessel

belonging to a Far Eastern company, thought by the Anguillan police to have come from St. Maarten/Saint Martin, was detained by the police for allegedly fishing in the island's territorial waters.

19. It was reported previously (A/AC.109/1115, para. 19) that the possible use by drug dealers of the Territory's offshore banking system to launder money, as well as the use of Eastern Caribbean countries, including Anguilla, as major transit points in the illicit drug trade had led the Government of the United Kingdom, as the administering Power, to review its policy towards its five Caribbean dependent Territories and Bermuda.

20. It was subsequently announced that legislation authorizing Anguilla to enter into legal cooperation agreements with the United States concerning drug-trafficking investigations had been approved by the Anguilla House of Assembly in May 1990. The "Mutual Legal Assistance United States of America" bill represented Anguilla's first step towards participation in a treaty between the United Kingdom and the United States, which is now being extended to the British Caribbean Territories.

21. Furthermore, the United Kingdom and the United States negotiated a "Shipriders Agreement" which, as stated by the Governor, "is an agreement whereby an officer of the Anguillan Government would be allowed to travel in a United States vessel for the purpose of apprehending any criminals who were committing offences in Anguillan jurisdiction". Under the agreement, the Government of Anguilla would place a police, customs or immigration officer aboard the United States vessel and would then authorize the vessel to act on behalf of the Government of Anguilla (see A/AC.109/1073, paras. 8-14).

22. In November 1992, the Government announced that the Police Department would be strengthened in 1993, and that the police would work in closer cooperation with the Customs Department in the war against drugs. Within this context, joint police-customs sea patrols would be formed.

Notes

1/ The information contained in the present paper has been derived from published reports, including the Caribbean Development Bank Annual Report, (Barbados), 1987, 1988, 1989, 1990 and 1991.

2/ The currency of the Territory is the East Caribbean dollar (EC$). One United States dollar (US$ 1.00) is equivalent to EC$ 2.70.

3/ The Caribbean Development Bank, Annual Economic Report, 1991.

4/ The Caribbean Development Bank, Annual Report, 1991 (Barbados).

5/ United Nations Development Programme, Development Cooperation, Eastern Caribbean, 1991 Report.